

103D CONGRESS  
2D SESSION

# S. 1932

To establish demonstration projects to expand innovations in State administration of the aid to families with dependent children program under title IV of the Social Security Act, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MARCH 15 (legislative day, FEBRUARY 22), 1994

Mr. LIEBERMAN introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To establish demonstration projects to expand innovations in State administration of the aid to families with dependent children program under title IV of the Social Security Act, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Welfare Reform Through State Innovation Act”.

6 (b) **TABLE OF CONTENTS.**—The table of contents of  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Purpose.

Sec. 3. Definitions.

Sec. 4. General provisions relating to demonstration projects.

Sec. 5. Authorization of appropriations.

#### TITLE I—INITIATIVES TO MOVE WELFARE RECIPIENTS INTO THE WORK FORCE

Sec. 101. Demonstration projects which condition AFDC benefits for certain individuals on school attendance or job training, limit the time period for receipt of such benefits, and require teenage parents to live at home.

Sec. 102. Pilot Job Corps program for recipients of aid to families with dependent children.

Sec. 103. Demonstration projects requiring up-front 30-day assisted job search, or substance abuse treatment before receiving AFDC benefits.

Sec. 104. Disregard of education and employment training savings for AFDC eligibility.

Sec. 105. Incentives and assistance in starting a small business.

Sec. 106. Increased emphasis in JOBS program on moving people into the work force.

Sec. 107. Additional demonstration projects to move AFDC recipients into the work force.

#### TITLE II—INITIATIVES TO STRENGTHEN FAMILIES AND BREAK THE CYCLE OF WELFARE DEPENDENCY

Sec. 201. Demonstration projects to establish child centered programs through conversion of certain AFDC and JOBS payments into block grants.

Sec. 202. Demonstration projects providing no additional benefits with respect to children born while a family is receiving AFDC and allowing increases in the earned income disregard.

Sec. 203. Demonstration projects providing incentives to marry.

Sec. 204. Demonstration projects reducing AFDC benefits if school attendance is irregular or preventive health care for dependent children is not obtained.

Sec. 205. Demonstration projects to increase child support collection.

Sec. 206. Demonstration projects to develop community-based programs for teenage pregnancy prevention and family planning.

Sec. 207. Additional demonstration projects to strengthen families and break the cycle of welfare dependency.

#### TITLE III—INITIATIVES TO DIVERSIFY AND IMPROVE THE PERFORMANCE OF WELFARE SERVICES

Sec. 301. Demonstration projects for providing placement of AFDC recipients in private sector jobs.

Sec. 302. Demonstration projects providing performance-based incentives for State public welfare providers.

#### TITLE IV—OFFSETTING EXPENDITURE REDUCTIONS

Sec. 401. Offsetting expenditure reductions.

1 **SEC. 2. PURPOSE.**

2 It is the purpose of this Act to implement the dem-  
3 onstration projects established under this Act as part of  
4 a comprehensive national program which would—

5 (1) terminate aid to families with dependent  
6 children after 2 years; and

7 (2) make employment available to such families  
8 where necessary.

9 **SEC. 3. DEFINITIONS.**

10 For purposes of this Act:

11 (1) **AID TO FAMILIES WITH DEPENDENT CHIL-**  
12 **DREN.**—The term “aid to families with dependent  
13 children” has the meaning given to such term by  
14 section 406(b) of the Social Security Act (42 U.S.C.  
15 606(b)).

16 (2) **SECRETARY.**—The term “Secretary” means  
17 the Secretary of Health and Human Services.

18 **SEC. 4. GENERAL PROVISIONS RELATING TO DEMONSTRA-**  
19 **TION PROJECTS.**

20 (a) **APPLICATIONS.**—

21 (1) **IN GENERAL.**—Each State desiring to con-  
22 duct a demonstration project under this Act shall  
23 prepare and submit to the Secretary an application  
24 in such manner and containing such information as  
25 the Secretary may require. The Secretary shall ac-  
26 tively encourage States to submit such applications.

1           (2) APPROVAL.—The Secretary shall consider  
2       all applications received from States desiring to con-  
3       duct demonstration projects under this Act and shall  
4       approve such applications in a number of States to  
5       be determined by the Secretary, taking into account  
6       the overall funding levels available under section 5.

7       (b) DURATION.—A demonstration project under this  
8   Act shall be conducted for not more than 3 years plus  
9   an additional time period of up to 12 months for final  
10   evaluation and reporting. The Secretary may terminate a  
11   project if the Secretary determines that the State conduct-  
12   ing the project is not in substantial compliance with the  
13   terms of the application approved by the Secretary under  
14   this Act.

15       (c) EVALUATION PLAN.—

16           (1) IN GENERAL.—Each State conducting a  
17       demonstration project under this Act shall submit an  
18       evaluation plan (meeting the standards developed by  
19       the Secretary under paragraph (2)) to the Secretary  
20       not later than 90 days after the State is notified of  
21       the Secretary's approval for such project. A State  
22       shall not receive any Federal funds for the operation  
23       of the demonstration project or be granted any waiv-  
24       ers of the Social Security Act necessary for oper-



1       ation of the demonstration project until the Sec-  
2       retary approves such evaluation plan.

3           (2) STANDARDS.—Not later than 3 months  
4       after the date of the enactment of this Act, the Sec-  
5       retary shall develop standards for the evaluation  
6       plan required under paragraph (1) which shall in-  
7       clude the requirement that an independent expert  
8       entity provide an evaluation of each demonstration  
9       project to be included in the State's annual and final  
10      reports to the Secretary under subsection (d)(1).

11      (d) REPORTS.—

12           (1) STATE.—A State that conducts a dem-  
13      onstration project under this Act shall prepare and  
14      submit to the Secretary annual and final reports in  
15      accordance with the State's evaluation plan under  
16      subsection (c)(1) for such demonstration project.

17           (2) SECRETARY.—The Secretary shall prepare  
18      and submit to Congress annual reports concerning  
19      each demonstration project under this Act.

20      (e) LEGISLATIVE PROPOSAL.—Within 6 months after  
21      the date that the Secretary has received the last final re-  
22      port due under subsection (d)(1), the Secretary shall sub-  
23      mit proposed legislation to Congress which would nation-  
24      ally implement (taking into account factors important in  
25      determining implementation of a demonstration project on

1 a national scale, including population density and poverty)  
2 those demonstration projects—

3 (1) which are established under this Act; and

4 (2) for which the Secretary has made a deter-  
5 mination of effectiveness in breaking the cycle of  
6 welfare dependency, unemployment, and poverty  
7 after evaluation of the final report for such project.

8 (f) PROVISIONS SUBJECT TO WAIVER.—The Sec-  
9 retary may waive such requirements of title IV of the So-  
10 cial Security Act (42 U.S.C. 601 et seq.) as the Secretary  
11 determines to be necessary to carry out the purposes of  
12 the demonstration projects established under this Act.

13 (g) EXPENDITURES OTHERWISE INCLUDED UNDER  
14 THE STATE PLAN.—The costs of a demonstration project  
15 under this Act which would not otherwise be included as  
16 expenditures under the applicable State plan under title  
17 IV of the Social Security Act (42 U.S.C. 601 et seq.) shall  
18 to the extent and for the period prescribed by the Sec-  
19 retary, be regarded as expenditures under the applicable  
20 State plan under such title, or for administration of such  
21 State plan or plans, as may be appropriate.

22 **SEC. 5. AUTHORIZATION OF APPROPRIATIONS.**

23 (a) IN GENERAL.—There is authorized to be appro-  
24 priated \$150,000,000 for each of fiscal years 1995 and  
25 1996, and \$200,000,000 for fiscal year 1997 to carry out

1 the provisions of sections 101, 103, 105(b), 105(c),  
2 105(d), 107, 201, 202, 203, 204, 205, 206, 207, 301, and  
3 302.

4 (b) ALLOCATION OF FUNDS.—Of the amount appro-  
5 priated pursuant to subsection (a), the Secretary shall  
6 obligate—

7 (1) 75 percent of such amount to—

8 (A) offset any increase in the amount of  
9 the Federal share resulting from any dem-  
10 onstration project established under a section  
11 described in subsection (a) (other than dem-  
12 onstration projects established under sections  
13 107 and 207 of this Act); and

14 (B) to the extent such amount remains  
15 after any such offset—

16 (i) increase the otherwise applicable  
17 Federal share rate under a State plan  
18 under title IV of the Social Security Act  
19 (42 U.S.C. 601 et seq.) for such dem-  
20 onstration projects; and

21 (ii) increase the amount of a State's  
22 block grant under the demonstration  
23 project under section 201 of this Act; and

24 (2) 25 percent of such amount to—

1           (A) offset any increase in the amount of  
2           the Federal share resulting from any dem-  
3           onstration project established under sections  
4           107 and 207 of this Act; and

5           (B) to the extent such amount remains  
6           after any such offset increase the otherwise ap-  
7           plicable Federal share rate under a State plan  
8           under title IV of the Social Security Act (42  
9           U.S.C. 601 et seq.) for such demonstration  
10          projects.

11       (c) RESERVATION OF CERTAIN AMOUNTS UNTIL  
12       FINAL REPORT SUBMITTED.—The Secretary shall reserve  
13       10 percent of any amounts obligated to a State for a dem-  
14       onstration project under subsection (b), and shall not pay  
15       such reserved amounts until such State has submitted a  
16       final report on such demonstration project.



**1 TITLE I—INITIATIVES TO MOVE**  
**2 WELFARE RECIPIENTS INTO**  
**3 THE WORK FORCE**

**4 SEC. 101. DEMONSTRATION PROJECTS WHICH CONDITION**  
**5 AFDC BENEFITS FOR CERTAIN INDIVIDUALS**  
**6 ON SCHOOL ATTENDANCE OR JOB TRAINING,**  
**7 LIMIT THE TIME PERIOD FOR RECEIPT OF**  
**8 SUCH BENEFITS, AND REQUIRE TEENAGE**  
**9 PARENTS TO LIVE AT HOME.**

**10 (a) ESTABLISHMENT.**—The Secretary shall provide  
**11 for demonstration projects described in subsection (b) in**  
**12 States with applications approved under this Act.**

**13 (b) PROJECT DESCRIBED.**—

**14 (1) IN GENERAL.**—Except as provided in para-  
**15 graph (2), each State conducting a demonstration**  
**16 project under this section shall provide that—**

**17 (A) a family described in paragraph (3)**  
**18 shall not receive aid to families with dependent**  
**19 children—**

**20 (i) unless the individual described in**  
**21 paragraph (3)(A) is, for a minimum of 35**  
**22 hours a week—**

**23 (I) attending school,**

**24 (II) studying for a general**  
**25 equivalency diploma, or**

1 (III) participating in a job, job  
2 training, or job placement program;  
3 and

4 (ii) except in the case of a situation  
5 described in clause (i) through (v) of sec-  
6 tion 402(a)(43)(B) of the Social Security  
7 Act (42 U.S.C. 602(a)(43)(B))—

8 (I) such individual is residing in  
9 a place of residence maintained by a  
10 parent, legal guardian, or other adult  
11 relative of such individual as such  
12 parent's, guardian's, or adult rel-  
13 ative's own home, or residing in a fos-  
14 ter home, maternity home, or other  
15 adult-supervised supportive living ar-  
16 rangement, and

17 (II) such aid (where possible)  
18 shall be provided to the individual's  
19 parent, legal guardian, or other adult  
20 relative on behalf of such individual  
21 and the individual's dependent child;  
22 and

23 (B) such family shall be entitled to receive  
24 such aid for a time period determined appro-  
25 priate by the State which shall, at a minimum,

1 permit such individual to complete the activities  
2 described in subparagraph (A)(i).

3 (2) LIMITATION.—A State conducting a dem-  
4 onstration project under this section shall not apply  
5 the provisions of paragraph (1) to a family unless—

6 (A) the State has made adequate child  
7 care available to such family;

8 (B) the State has paid all tuition and fees  
9 applicable to the activities described in para-  
10 graph (1)(A); and

11 (C) such application does not endanger the  
12 welfare and safety of a dependent child who is  
13 a member of such family.

14 (3) FAMILY DESCRIBED.—A family described in  
15 this paragraph is a family which—

16 (A) includes a parent under 20 years of  
17 age;

18 (B) includes at least 1 dependent child of  
19 such parent; and

20 (C) does not include a child under 6  
21 months of age.

1   **SEC. 102. PILOT JOB CORPS PROGRAM FOR RECIPIENTS OF**  
2                   **AID TO FAMILIES WITH DEPENDENT CHIL-**  
3                   **DREN.**

4       Section 433 of the Job Training Partnership Act (29  
5 U.S.C. 1703) is amended by adding at the end the follow-  
6 ing new subsection:

7       “(f)(1) The Secretary may enter into appropriate  
8 agreements with agencies as described in section  
9 427(a)(1) for the development of pilot projects to provide  
10 services at Job Corps centers to eligible individuals—

11           “(A) who are eligible youth described in section  
12 423;

13           “(B) whose families receive aid to families with  
14 dependent children under part A of title IV of the  
15 Social Security Act (42 U.S.C. 601 et seq.); and

16           “(C) who are mothers of children who have not  
17 reached the age of compulsory school attendance in  
18 the State in which the children reside.

19       “(2) A Job Corps center serving the eligible individ-  
20 uals shall—

21           “(A) provide child care at or near the Job  
22 Corps center for the individuals;

23           “(B) provide the activities described in section  
24 428 for the individuals; and



1           “(C) provide for the individuals, and require  
2           that each such individual participate in, activities  
3           through a parents as teachers program that—

4           “(i) establishes and operates parent edu-  
5           cation programs, including programs of devel-  
6           opmental screening of the children of the eligi-  
7           ble individuals;

8           “(ii) provides group meetings and home  
9           visits for the family of each such individual by  
10          parent educators who have had supervised expe-  
11          rience in the care and education of children and  
12          have had training; and

13          “(iii) provides periodic screening, by such  
14          parent educators, of the educational, hearing,  
15          and visual development of the children of such  
16          individuals.

17          “(3) The Secretary shall prescribe specific standards  
18          and procedures under section 424 for the screening and  
19          selection of applicants to participate in pilot projects car-  
20          ried out under this subsection. In addition to the agencies  
21          described in the second sentence of such section, such  
22          standards and procedures may be implemented through  
23          arrangements with welfare agencies.

24          “(4) As used in this subsection:

1           “(A) The term ‘developmental screening’ means  
 2           the process of measuring the progress of children to  
 3           determine if there are problems or potential prob-  
 4           lems or advanced abilities in the areas of under-  
 5           standing and use of language, perception through  
 6           sight, perception through hearing, motor develop-  
 7           ment and hand-eye coordination, health, and phys-  
 8           ical development.

9           “(B) The term ‘parent education’ includes par-  
 10          ent support activities, the provision of resource ma-  
 11          terials on child development and parent-child learn-  
 12          ing activities, private and group educational guid-  
 13          ance, individual and group learning experiences for  
 14          the eligible individual and child, and other activities  
 15          that enable the eligible individual to improve learn-  
 16          ing in the home.”.

17 **SEC. 103. DEMONSTRATION PROJECTS REQUIRING UP-**  
 18 **FRONT 30-DAY ASSISTED JOB SEARCH, OR**  
 19 **SUBSTANCE ABUSE TREATMENT BEFORE RE-**  
 20 **CEIVING AFDC BENEFITS.**

21          (a) **ESTABLISHMENT.**—The Secretary shall provide  
 22 for demonstration projects described in subsection (b) in  
 23 States with applications approved under this Act.

24          (b) **PROJECT DESCRIBED.**—

(1) IN GENERAL.—Except as provided in paragraph (2), each State conducting a demonstration project under this section shall require a parent or other relative of a dependent child to undergo 30 days of assisted job search or substance abuse treatment (or both) before the family may receive aid to families with dependent children as part of the application process for the receipt of such aid.

(2) LIMITATION.—A State conducting a demonstration project under this section shall not apply the provisions of paragraph (1) to a family unless—

(A) all of the dependent children in the family are over 6 months of age;

(B) the State has made adequate child care available to such family;

(C) the State has paid all fees applicable to the activities described in paragraph (1); and

(D) such application does not endanger the welfare and safety of a dependent child who is a member of such family.

**SEC. 104. DISREGARD OF EDUCATION AND EMPLOYMENT  
TRAINING SAVINGS FOR AFDC ELIGIBILITY.**

(a) DISREGARD AS RESOURCE.—Subparagraph (B) of section 402(a)(7) of the Social Security Act (42 U.S.C. 602(a)(7)) is amended—

1 (1) by striking “or” before “(iv)”, and

2 (2) by inserting “, or (v) except in the case of  
3 the family’s initial determination of eligibility for aid  
4 to families with dependent children, any amount up  
5 to \$10,000 in a qualified education and employment  
6 account (as defined in section 406(i)(1))” before “;  
7 and”.

8 (b) DISREGARD AS INCOME.—

9 (1) IN GENERAL.—Subparagraph (A) of section  
10 402(a)(8) of such Act (42 U.S.C. 602(a)(8)) is  
11 amended—

12 (A) by striking “and” at the end of clause  
13 (vii), and

14 (B) by inserting after clause (viii) the fol-  
15 lowing new clause:

16 “(ix) shall disregard any qualified dis-  
17 tributions (as defined in section 406(i)(2))  
18 made from any qualified education and  
19 employment account (as defined in section  
20 406(i)(1)) while the family is receiving aid  
21 to families with dependent children; and”.

22 (2) NONRECURRING LUMP SUM EXEMPT FROM  
23 LUMP SUM RULE.—Section 402(a)(17) (42 U.S.C.  
24 602(a)(17)) is amended by adding at the end the  
25 following: “; and that this paragraph shall not apply



1 to earned and unearned income received in a month  
2 on a nonrecurring basis to the extent that such in-  
3 come is placed in a qualified education and employ-  
4 ment account (as defined in section 406(i)(1)) the  
5 total amount which, after such placement, does not  
6 exceed \$10,000.”.

7 (c) QUALIFIED EDUCATION AND EMPLOYMENT AC-  
8 COUNTS.—Section 406 of such Act (42 U.S.C. 606) is  
9 amended by adding at the end the following:

10 “(i)(1) The term ‘qualified education and employ-  
11 ment account’ means a mechanism established by the  
12 State (such as escrow accounts or education savings  
13 bonds) that allows savings from the earned income of a  
14 dependent child or parent of such child in a family receiv-  
15 ing aid to families with dependent children to be used for  
16 qualified distributions.

17 “(2) The term ‘qualified distributions’ means dis-  
18 tributions from a qualified education and employment ac-  
19 count for expenses directly related to the attendance at  
20 an eligible postsecondary or secondary institution or di-  
21 rectly related to improving the employability (as deter-  
22 mined by the State) of a member of a family receiving  
23 aid to families with dependent children.

24 “(3) The term ‘eligible postsecondary or secondary  
25 institution’ means a postsecondary or secondary institu-

tion determined to be eligible by the State under guidelines established by the Secretary.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to payments under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) for calendar quarters beginning on or after January 1, 1995.

**SEC. 105. INCENTIVES AND ASSISTANCE IN STARTING A SMALL BUSINESS.**

(a) AUTHORITY FOR STATES TO PERMIT CERTAIN SELF-EMPLOYMENT PROGRAM PARTICIPANTS A ONE-TIME ELECTION TO PURCHASE CAPITAL EQUIPMENT FOR A SMALL BUSINESS IN LIEU OF DEPRECIATION; REPAYMENTS BY SUCH PERSONS OF THE PRINCIPAL PORTION OF SMALL BUSINESS LOANS TREATED AS BUSINESS EXPENSES FOR PURPOSES OF AFDC.—

(1) AMENDMENTS TO THE SOCIAL SECURITY ACT.—Section 402(a)(8) of the Social Security Act (42 U.S.C. 602(a)(8)) is amended—

(A) in subparagraph (B)(ii)(II), by striking “and” after the semicolon;

(B) by redesignating subparagraph (C) as subparagraph (D); and

(C) by inserting after subparagraph (B) the following new subparagraph:

“(C) provide that, in determining the earned income of a family any of the members of which owns a small business and is a participant in a self-employment program offered by a State in accordance with section 482(d)(1)(B)(ii), the State may—

“(i)(I) during the 1-year period beginning on the date the family makes an election under this clause, treat as an offset against the gross receipts of the business the sum of the capital expenditures for the business by any member of the family during such 1-year period; and

“(II) allow each such family eligible for aid under this part not more than 1 election under this clause; and

“(ii) treat as an offset against the gross receipts of the business—

“(I) the amounts paid by any member of the family as repayment of the principal portion of a loan made for the business; and

“(II) cash retained by the business for future use by the business; and”.

(2) AMENDMENT TO THE INTERNAL REVENUE CODE OF 1986.—Section 167 of the Internal Revenue Code of 1986 (relating to depreciation), as amended

1 by section 13261(b) of the Omnibus Budget Rec-  
 2 onciliation Act of 1993, is amended by redesignating  
 3 subsection (g) as subsection (h) and by inserting  
 4 after subsection (f) the following new subsection:

5 “(g) CERTAIN PROPERTY OF AFDC RECIPIENTS  
 6 NOT DEPRECIABLE.—No depreciation deduction shall be  
 7 allowed under this section (and no depreciation or amorti-  
 8 zation deduction shall be allowed under any other provi-  
 9 sion of this subtitle) with respect to the portion of the  
 10 adjusted basis of any property which is attributable to ex-  
 11 penditures treated as an offset against gross receipts  
 12 under section 402(a)(8)(C)(i) of the Social Security Act.”.

13 (3) EFFECTIVE DATE.—

14 (A) SOCIAL SECURITY ACT AMEND-  
 15 MENTS.—The amendments made by paragraph  
 16 (1) shall apply to payments made under part A  
 17 of title IV of the Social Security Act (42 U.S.C.  
 18 601 et seq.) on or after January 1, 1995.

19 (B) INTERNAL REVENUE CODE AMEND-  
 20 MENT.—The amendments made by paragraph  
 21 (2) shall apply to property placed in service on  
 22 or after January 1, 1995.

23 (b) DEMONSTRATION PROJECTS ESTABLISHING  
 24 PUBLIC-PRIVATE PARTNERSHIPS FOR TECHNICAL AS-  
 25 SISTANCE TO SELF-EMPLOYED AFDC RECIPIENTS.—



1           (1) IN GENERAL.—The Secretary shall provide  
2       for demonstration projects to be conducted in States  
3       with applications approved under this Act under  
4       which one or more partnerships are developed be-  
5       tween State agencies and community businesses or  
6       educational institutions to provide assistance to eligi-  
7       ble participants.

8           (2) ELIGIBLE PARTICIPANTS.—For purposes of  
9       this subsection, the term “eligible participants”  
10      means—

11           (A) individuals who are receiving aid to  
12      families with dependent children; and

13           (B) individuals who cease to be eligible to  
14      receive such aid who have been participating in  
15      a demonstration project conducted by a State  
16      under this subsection.

17           (3) PERMISSIBLE EXPENDITURES.—Funds  
18      from any demonstration project conducted under  
19      this subsection may be used to pay the costs associ-  
20      ated with developing and implementing a process  
21      through which businesses or educational institutions  
22      would work with the State agency to provide assist-  
23      ance to eligible participants seeking to start or oper-  
24      ate small businesses, including—

25           (A) mentoring;

1 (B) training for eligible participants in ad-  
2 ministering a business;

3 (C) technical assistance in preparing busi-  
4 ness plans; and

5 (D) technical assistance in the process of  
6 applying for business loans, marketing services,  
7 and other activities related to conducting such  
8 small businesses.

9 (c) DEMONSTRATION PROJECTS FOR TRAINING  
10 AFDC RECIPIENTS AS SELF-EMPLOYED PROVIDERS OF  
11 CHILD CARE SERVICES.—

12 (1) IN GENERAL.—The Secretary shall provide  
13 for demonstration projects to be conducted in States  
14 with applications approved under this Act under  
15 which one or more partnerships are developed be-  
16 tween State agencies and community businesses or  
17 educational institutions to provide assistance to eligi-  
18 ble participants in the establishment and operation  
19 of child care centers in the home or in the commu-  
20 nity which would provide child care services.

21 (2) ELIGIBLE PARTICIPANTS.—For purposes of  
22 this subsection, the term “eligible participants”  
23 means—

24 (A) individuals who are receiving aid to  
25 families with dependent children; and

1 (B) individuals who cease to be eligible to  
2 receive such aid who have been participating in  
3 a demonstration project conducted by a State  
4 under this subsection.

5 (3) PERMISSIBLE EXPENDITURES.—Funds  
6 from any demonstration project conducted under  
7 this subsection may be used to pay the costs associ-  
8 ated with developing and implementing a process  
9 through which businesses or educational institutions  
10 would work with the State agency to provide assist-  
11 ance to train eligible participants to provide licensed  
12 child care services, including—

13 (A) mentoring;

14 (B) training in the provision of child care  
15 services;

16 (C) training for eligible participants in ad-  
17 ministering a business;

18 (D) training in early childhood education;

19 (E) technical assistance in preparing busi-  
20 ness plans;

21 (F) technical assistance in the process of  
22 applying for loans, marketing services, qualify-  
23 ing for Federal and State programs, and other  
24 activities related to the provision of child care  
25 services; and

1 (G) technical assistance in obtaining a li-  
2 cense and complying with Federal, State, and  
3 local regulations regarding the provision of  
4 child care.

5 (d) DEMONSTRATION PROJECT TO PROMOTE OWN-  
6 ERSHIP OF FAMILY-OWNED BUSINESSES BY AFDC  
7 RECIPIENTS.—

8 (1) ESTABLISHMENT.—The Secretary shall pro-  
9 vide for demonstration projects described in para-  
10 graph (2) in States with applications approved under  
11 this Act.

12 (2) PROJECT DESCRIBED.—Each State con-  
13 ducting a demonstration project under this sub-  
14 section shall develop a program under which the  
15 State shall—

16 (A) encourage incentives for families re-  
17 ceiving aid to families with dependent children  
18 to work together as managers and employees in  
19 family-owned businesses;

20 (B) develop State and private partnerships  
21 for making or guaranteeing small business  
22 loans, including seed money, available to such  
23 families;



1 (C) provide such families with technical  
2 training in small business management, ac-  
3 counting, and bookkeeping;

4 (D) regularly evaluate the status of the re-  
5 cipients of assistance under the project; and

6 (E) continue a transitional period of bene-  
7 fits under title IV and title XIX of the Social  
8 Security Act for recipients of assistance under  
9 the project until such time as the State deter-  
10 mines such family is self-sufficient.

11 For purposes of this paragraph, a family-owned  
12 business may include other relatives of the family re-  
13 ceiving aid to families with dependent children re-  
14 gardless if such relatives are also receiving aid to  
15 families with dependent children.

16 **SEC. 106. INCREASED EMPHASIS IN JOBS PROGRAM ON**  
17 **MOVING PEOPLE INTO THE WORK FORCE.**

18 Section 481(a) of the Social Security Act (42 U.S.C.  
19 681(a)) is amended by adding at the end the following  
20 new sentence: "It is further the purpose of this part to  
21 encourage individuals receiving education and training to  
22 enter the permanent work force by developing programs  
23 through which such individuals enter the work force and  
24 then receive post-employment education and training."

1 **SEC. 107. ADDITIONAL DEMONSTRATION PROJECTS TO**  
2 **MOVE AFDC RECIPIENTS INTO THE WORK**  
3 **FORCE.**

4 (a) **ESTABLISHMENT.**—The Secretary shall provide  
5 for additional demonstration projects described in sub-  
6 section (b) in States with applications approved under this  
7 Act.

8 (b) **PROJECT DESCRIBED.**—Each State conducting a  
9 demonstration project under this section shall develop a  
10 program or programs to better move recipients of aid to  
11 families with dependent children into the work force.

12 **TITLE II—INITIATIVES TO**  
13 **STRENGTHEN FAMILIES AND**  
14 **BREAK THE CYCLE OF WEL-**  
15 **FARE DEPENDENCY**

16 **SEC. 201. DEMONSTRATION PROJECTS TO ESTABLISH**  
17 **CHILD CENTERED PROGRAMS THROUGH**  
18 **CONVERSION OF CERTAIN AFDC AND JOBS**  
19 **PAYMENTS INTO BLOCK GRANTS.**

20 (a) **ESTABLISHMENT.**—The Secretary shall provide  
21 for demonstration projects described in subsection (b) in  
22 States with applications approved under this Act.

23 (b) **PROJECT DESCRIBED.**—

24 (1) **IN GENERAL.**—Each State conducting a  
25 demonstration project under this section shall elect  
26 to receive payments under paragraph (2) in lieu of—

1 (A) all payments to which the State would  
2 otherwise be entitled to under section 403 of  
3 the Social Security Act (42 U.S.C. 603) for aid  
4 to families with dependent children under part  
5 A of title IV of such Act or the job opportuni-  
6 ties and basic skills training program under  
7 part F of such title; or

8 (B) any portion of the payment described  
9 in subparagraph (A) to which the State would  
10 otherwise be entitled under such section for  
11 benefits (identified by the State) under part A  
12 or part F of such title for populations (identi-  
13 fied by the State) who receive such benefits.

14 (2) PAYMENT.—The Secretary shall make pay-  
15 ment under this paragraph for each year of the  
16 project in an amount equal to—

17 (A) during fiscal year 1995—

18 (i) 100 percent of the total amount to  
19 which the State was entitled under section  
20 403 of the Social Security Act (42 U.S.C.  
21 603) for aid to families with dependent  
22 children under part A of title IV of such  
23 Act or the job opportunities and basic  
24 skills training program under part F of  
25 such title; or

1                   (ii) the amount to which the State  
 2                   was entitled to under such section for  
 3                   those benefits and populations identified by  
 4                   the State in paragraph (1)(B),  
 5                   for fiscal year 1994 plus the product of such  
 6                   amount and the percentage increase in the  
 7                   consumer price index for all urban consumers  
 8                   (U.S. city average) during fiscal year 1995; and  
 9                   (B) during each subsequent fiscal year, the  
 10                  amount determined under this paragraph in the  
 11                  previous fiscal year plus the product of such  
 12                  amount and the percentage increase in such  
 13                  consumer price index during such previous fis-  
 14                  cal year.

15                  (3) DESCRIPTION OF ACTIVITIES.—

16                  (A) IN GENERAL.—Each State which is  
 17                  paid under paragraph (2) shall expend the  
 18                  amount received under such paragraph and the  
 19                  amount, if any, made available to such State  
 20                  under section 5(b)(1)(B)(ii) for one or more of  
 21                  the following purposes:

22                         (i)(I) Establish residential programs  
 23                         for teenage mothers with dependent chil-  
 24                         dren where education, job training, com-



1 community service, or other employment is  
2 provided.

3 (II) Support the pilot project de-  
4 scribed in section 433(f) of the Jobs Train-  
5 ing Partnership Act, as added by section  
6 102 of this Act, to provide such services to  
7 teenage mothers with dependent children.

8 (ii) Establish programs to promote,  
9 expedite, and ensure adoption of children,  
10 particularly neglected or abused children.

11 (iii) Expand child care assistance for  
12 the children of needy working parents (as  
13 determined by the State).

14 (iv) Establish residential schooling  
15 with appropriate support services for chil-  
16 dren from needy families (as determined  
17 by the State) enrolled at the request of the  
18 parents of such children.

19 (v) Establish other services which will  
20 be provided directly to children from needy  
21 families (as determined by the State).

22 (vi) Implement other reforms consist-  
23 ent with this Act.

1           (4) COMMUNITY-BASED ACTIVITIES.—The Sec-  
2       retary shall ensure that each State receiving a grant  
3       under this section—

4           (A) takes adequate steps to assure the  
5       well-being of the children affected by the  
6       State's receipt of the grant; and

7           (B) to the fullest extent possible, utilizes  
8       the grant under this section to support commu-  
9       nity-based services in communities affected by  
10      the State's receipt of the grant.

11 **SEC. 202. DEMONSTRATION PROJECTS PROVIDING NO AD-**  
12 **DITIONAL BENEFITS WITH RESPECT TO CHIL-**  
13 **DREN BORN WHILE A FAMILY IS RECEIVING**  
14 **AFDC AND ALLOWING INCREASES IN THE**  
15 **EARNED INCOME DISREGARD.**

16       (a) ESTABLISHMENT.—The Secretary shall provide  
17      for demonstration projects described in subsection (b) in  
18      States with applications approved under this Act.

19       (b) PROJECT DESCRIBED.—If a child is born to a  
20      family after the date on which such family begins receiving  
21      aid to families with dependent children, a State conducting  
22      a demonstration project under this section—

23           (1) shall not take such child into account in de-  
24      termining the need of such family for such aid; and

1           (2) shall increase the amounts disregarded from  
2       earned income under section 402(a)(8)(A) of such  
3       Act (42 U.S.C. 602(a)(8)(A)).

4   **SEC. 203. DEMONSTRATION PROJECTS PROVIDING INCEN-**  
5                           **TIVES TO MARRY.**

6       (a) AID TO TWO-PARENT FAMILIES.—

7           (1) ESTABLISHMENT.—The Secretary shall pro-  
8       vide for demonstration projects described in para-  
9       graph (2) in States with applications approved under  
10      this Act.

11           (2) PROJECT DESCRIBED.—

12               (A) IN GENERAL.—Each State conducting  
13       a demonstration project under this subsection  
14       shall not apply the requirements described in  
15       subparagraph (B) to a parent of a dependent  
16       child who is married to the natural parent of  
17       such child.

18               (B) REQUIREMENTS WAIVED.—The re-  
19       quirements described in this subparagraph are:

20                   (i) The work history requirement de-  
21                   scribed in section 407(b)(1)(A)(iii) of such  
22                   Act (42 U.S.C. 607(b)(1)(A)(iii)).

23                   (ii) The 100-hour rule under section  
24                   233.100(a)(1)(i) of title 45, Code of Fed-  
25                   eral Regulations.

1 (b) INCREASE IN STEPPARENT EARNED INCOME  
2 DISREGARD.—

3 (1) ESTABLISHMENT.—The Secretary shall pro-  
4 vide for demonstration projects described in para-  
5 graph (2) in States with applications approved under  
6 this Act.

7 (2) PROJECT DESCRIBED.—For purposes of  
8 making determinations for any month under section  
9 402(a)(7) of the Social Security Act (42 U.S.C.  
10 602(a)(7)), each State conducting a demonstration  
11 project under this subsection shall modify the in-  
12 come disregards provided in subparagraphs (A)  
13 through (D) of section 402(a)(31) of such Act (42  
14 U.S.C. 602(a)(31)) in order to decrease the amount  
15 of income determined under such section with re-  
16 spect to a dependent child's stepparent.

17 **SEC. 204. DEMONSTRATION PROJECTS REDUCING AFDC**  
18 **BENEFITS IF SCHOOL ATTENDANCE IS IR-**  
19 **REGULAR OR PREVENTIVE HEALTH CARE**  
20 **FOR DEPENDENT CHILDREN IS NOT OB-**  
21 **TAINED.**

22 (a) ESTABLISHMENT.—The Secretary shall provide  
23 for demonstration projects described in subsection (b) in  
24 States with applications approved under this Act.

25 (b) PROJECT DESCRIBED.—



1           (1) IN GENERAL.—Each State conducting a  
2 demonstration project under this section shall reduce  
3 the amount of aid to families with dependent chil-  
4 dren received by a family if the State agency deter-  
5 mines that one or both (at the State's option) of the  
6 following conditions exist:

7           (A) A member of such family is attending  
8 school or participating in a course of vocational  
9 or technical training and such family member is  
10 absent from such school or training with no ex-  
11 cuse for more than a number of days per month  
12 determined appropriate by the State.

13           (B) A member of such family is a child  
14 under the age of 6 who has not received appro-  
15 priate immunizations (as determined by the  
16 State).

17           (2) LIMITATION.—Each State conducting a  
18 demonstration project under this section shall estab-  
19 lish procedures which ensure that no reduction in  
20 aid to families with dependent children under para-  
21 graph (1) will endanger the welfare and safety of  
22 any dependent child.

1 **SEC. 205. DEMONSTRATION PROJECTS TO INCREASE CHILD**  
2 **SUPPORT COLLECTION.**

3 (a) **ESTABLISHMENT.**—The Secretary shall provide  
4 for demonstration projects described in subsection (b) in  
5 States with applications approved under this Act.

6 (b) **PROJECT DESCRIBED.**—Each State conducting a  
7 demonstration project under this section shall increase the  
8 State's child support collection efforts through one or  
9 more of the following methods:

10 (1) Enhanced child support enforcement and  
11 collection, including holding a parent accountable for  
12 supporting any children of the parent's minor chil-  
13 dren.

14 (2) Applying section 402(a)(8)(vi) of the Social  
15 Security Act (42 U.S.C. 602(a)(8)(vi)) by substitut-  
16 ing an amount greater than \$50 (to be determined  
17 by the State) for "\$50" each place such dollar  
18 amount appears.

19 (3) Any other method that the State deems ap-  
20 propriate.

1 **SEC. 206. DEMONSTRATION PROJECTS TO DEVELOP COM-**  
2 **MUNITY-BASED PROGRAMS FOR TEENAGE**  
3 **PREGNANCY PREVENTION AND FAMILY**  
4 **PLANNING**

5 (a) **ESTABLISHMENT.**—The Secretary shall provide  
6 for demonstration projects described in subsection (b) in  
7 States with applications approved under this Act.

8 (b) **PROJECT DESCRIBED.**—Each State conducting a  
9 demonstration project under this section shall develop a  
10 community-based program for teenage pregnancy preven-  
11 tion and family planning.

12 **SEC. 207. ADDITIONAL DEMONSTRATION PROJECTS TO**  
13 **STRENGTHEN FAMILIES AND BREAK THE**  
14 **CYCLE OF WELFARE DEPENDENCY.**

15 (a) **ESTABLISHMENT.**—The Secretary shall provide  
16 for additional demonstration projects described in sub-  
17 section (b) in States with applications approved under this  
18 Act.

19 (b) **PROJECT DESCRIBED.**—Each State conducting a  
20 demonstration project under this section shall develop a  
21 program or programs to strengthen families and break the  
22 cycle of welfare dependency.

1 **TITLE III—INITIATIVES TO DI-**  
2 **VERSIFY AND IMPROVE THE**  
3 **PERFORMANCE OF WELFARE**  
4 **SERVICES**

5 **SEC. 301. DEMONSTRATION PROJECTS FOR PROVIDING**  
6 **PLACEMENT OF AFDC RECIPIENTS IN PRI-**  
7 **VATE SECTOR JOBS.**

8 (a) **ESTABLISHMENT.**—The Secretary shall provide  
9 for demonstration projects described in subsection (b) in  
10 States with applications approved under this Act.

11 (b) **PROJECT DESCRIBED.**—Each State conducting a  
12 demonstration project under this section shall—

13 (1) contract with private for-profit and non-  
14 profit groups to provide any individual receiving aid  
15 to families with dependent children with training,  
16 support services, and placement in a private sector  
17 job which permits such individual to cease receiving  
18 aid to families with dependent children; and

19 (2) upon employment of such individual, pay  
20 such groups a negotiated portion of the total amount  
21 that such individual's family would have received  
22 over the course of the year in which such individual  
23 began such employment in the form of aid to fami-  
24 lies with dependent children.



1 **SEC. 302. DEMONSTRATION PROJECTS PROVIDING PER-**  
2 **FORMANCE-BASED INCENTIVES FOR STATE**  
3 **PUBLIC WELFARE PROVIDERS.**

4 (a) **ESTABLISHMENT.**—The Secretary shall provide  
5 for demonstration projects to establish performance-based  
6 incentives for State public welfare providers in States with  
7 applications described in subsection (b)(1) which are ap-  
8 proved under this Act.

9 (b) **APPLICATIONS.**—

10 (1) **APPLICATION DESCRIBED.**—An application  
11 described under this paragraph is an application  
12 which—

13 (A) identifies the State offices or adminis-  
14 trative units which will participate in the dem-  
15 onstration project;

16 (B) describes indicators of employee or  
17 program performance based on outcome meas-  
18 ures for—

19 (i) training and education;

20 (ii) job search and placement assist-  
21 ance;

22 (iii) child support collection;

23 (iv) teen pregnancy prevention pro-  
24 grams; and

25 (v) any other program objective that  
26 the State finds appropriate;

1 (C) describes budgetary incentives for pro-  
 2 gram performance, including direct financial in-  
 3 centives for employees where appropriate;

4 (D) describes a process for developing, in  
 5 cooperation with employees of participating of-  
 6 fices or units, a job evaluation system based on  
 7 performance measures; and

8 (E) describes the way in which State pub-  
 9 lic welfare providers, private providers, welfare  
 10 clients, and members of the community have  
 11 been or shall be involved in the planning and  
 12 implementation of a performance based welfare  
 13 delivery system.

14 (2) TECHNICAL ASSISTANCE.—The Secretary  
 15 shall provide a State desiring to submit an applica-  
 16 tion for a demonstration project under this section  
 17 with technical assistance in preparing an application  
 18 described under paragraph (1).

## 19 **TITLE IV—OFFSETTING** 20 **EXPENDITURE REDUCTIONS**

### 21 **SEC. 401. OFFSETTING EXPENDITURE REDUCTIONS.**

22 (a) IN GENERAL.—Subparagraph (C) of section  
 23 1001(5) of the Food Security Act of 1985 (7 U.S.C.  
 24 1308(5)(C)) is amended to read as follows:

1       “(C) In the case of corporations and other entities  
 2 included in subparagraph (B) and partnerships, the Sec-  
 3 retary shall attribute payments to natural persons in pro-  
 4 portion to their ownership interests in an entity and in  
 5 any other entity, or partnership, that owns or controls the  
 6 entity, or partnership, receiving the payments.”.

7       (b) REMOVAL OF 3-ENTITY RULE.—Section  
 8 1001A(a)(1) of the Food Security Act of 1985 (7 U.S.C.  
 9 1308–1(a)(1)) is amended—

10           (1) in the first sentence—

11               (A) by striking “substantial beneficial in-  
 12 terests in more than two entities” and inserting  
 13 “a substantial beneficial interest in any other  
 14 entity”; and

15               (B) by striking “receive such payments as  
 16 separate persons” and inserting “receives the  
 17 payments as a separate person”; and

18           (2) by striking the second sentence.

19       (c) EFFECTIVE DATE.—The amendments made by  
 20 this section shall take effect on October 1, 1994.

○



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